

OVERSIGHT BOARD
SUCCESSOR AGENCY
TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION

SEPTEMBER 18, 2013

SUBJECT: RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JANUARY 1, 2014 THROUGH JUNE 30, 2014, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177

INITIATED BY: SUCCESSOR AGENCY
(David A. Wilson, Director of Finance & Technology Services) *DAW*
(John Leonard, Senior Management Analyst) *JRL*

STATEMENT ON THE SUBJECT:

The Oversight Board will consider approval of the Recognized Obligation Payment Schedule and Successor Agency Administrative Budget for the period from January 1, 2014 through June 30, 2014.

RECOMMENDATION:

Adopt Resolution No. _____ "RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION ADOPTING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE AND SUCCESSOR AGENCY ADMINISTRATIVE BUDGET FOR THE PERIOD FROM JANUARY 1, 2014 THROUGH JUNE 30, 2014, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177"

BACKGROUND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. Pursuant to Health and Safety Code Section ("H&SC") 34177(m), successor agencies are required to continue to make payments due for enforceable obligations of the former redevelopment agencies. A Recognized Obligation Payment Schedule ("ROPS") must be prepared by the Successor Agency to the West Hollywood Community Development Commission ("Successor Agency") setting forth the minimum payments and due dates of payments required by enforceable obligations for each six-month fiscal period and presented to the Oversight Board of the Successor Agency ("Oversight Board") for approval.

The ROPS for the period from January 1, 2014 through June 30, 2014 ("ROPS ROPS 13-14 B") must be approved by the Successor Agency's Oversight Board and transmitted to the County Auditor-Controller ("Auditor-Controller"), State Department of Finance ("DOF"), and State Controller, no later than October 1, 2013. If the Successor Agency and Oversight Board fail to meet the October 1 deadline, the City of West Hollywood may be liable for substantial penalties, including a \$10,000 per day penalty for each day past the deadline.

The Successor Agency was required to submit a copy of the draft ROPS to the County Administrative Officer, Auditor-Controller, and DOF at the same time that it was submitted to the Oversight Board for approval; this requirement was met. The Auditor-Controller is authorized to object to any item on the ROPS or the proposed funding source prior to or after Oversight Board consideration. If the Oversight Board disagrees with the Auditor-Controller, it may refer the matter to DOF for final determination.

Once the ROPS is approved by the Oversight Board, DOF will have 45 days to review and approve the ROPS, or object to any of the enforceable obligations. If the Successor Agency disputes DOF's determination, it can request to meet and confer with DOF within 5 days of their determination. DOF will make the final determination regarding the dispute and must notify the Successor Agency and Auditor-Controller of its determination 15 days before the date of property tax distribution by the Auditor-Controller.

H&SC Section 34177(j) also requires that each successor agency prepare an administrative budget for each six month period and submit that administrative budget to their oversight board for approval. The successor agency administrative budget shall include estimated amounts for successor agency administrative costs, proposed sources of payments, and any proposals for arrangements for administrative services provided by a city, county, or other entity. Pursuant to H&SC Section 34171(b) the administrative cost allowance provided to each successor agency, for each fiscal-year, can be up to 3 percent of the property tax allocated to the Redevelopment Obligation Retirement Fund, for the successor agency, or two hundred and fifty thousand dollars (\$250,000), whichever is greater, unless the Oversight Board reduces the amount.

ROPS 13-14B - (January 1, 2014 through June 30, 2014)

ROPS 13-14B (Attachment 1) includes debt service payments and fees for the former redevelopment agency's 2003 and 2011 tax allocation bonds.

The ROPS for the period January 1, 2013 through June 30, 2013 (ROPS No. 3) was submitted to DOF on August 31, 2012. DOF subsequently objected to six enforceable obligations on ROPS No. 3. These enforceable obligations included a permanent financing loan in the amount of \$3.5 million for the Courtyard at La Brea affordable housing project, \$27 million in funding for the Plummer Park project, \$1.8 million in funding for disabled access improvements to West Hollywood Community Housing Corporation buildings, and funding for employee

oversight costs for the Janet L. Witkin Center affordable housing project, Courtyard at La Brea affordable housing project, and Plummer Park project. All of the enforceable obligations denied by DOF would have been funded with proceeds from the former redevelopment agency's 2011 housing and non-housing bonds. These enforceable obligations were not denied by DOF on ROPS No. 1 and No. 2.

Payments for the six enforceable obligations that were denied by DOF on ROPS No. 3 were not listed on ROPS No. 4 (13-14A) and have also not been listed on the current ROPS (13-14B). These enforceable obligations are shown on ROPS 13-14B because DOF requires that previously denied items be shown on the ROPS, however, no payments can be listed. The Successor Agency continues to disagree with DOF's denial of the enforceable obligations. Therefore, the submittal of ROPS 13-14B is made under protest and is not intended, nor has the effect, of waiving the City's and Successor Agency's right to insist that the enforceable obligations denied by DOF are valid and should be included on the ROPS.

Enforceable Obligation Detail

- 1) 2003 Tax Allocation Bond Debt Service (Non-Housing Principal) – Non-housing portion of principal repayment; due on September 1 of each year.
 - Payments Due: None during this ROPS period
 - Payment Source: Redevelopment Property Tax Trust Fund (“RPTTF”)

- 2) 2003 Tax Allocation Bond Debt Service (Non-Housing Interest) – Non-housing portion of interest payment; one half of the interest payment is due on March 1 and September 1 of each year.
 - Payments Due: \$179,124
 - Payment Source: RPTTF

- 3) 2003 Tax Allocation Non-Housing Bond Fees – Bond fee payment for non-housing portion; due on September 1 of each year.
 - Payments Due: None during this ROPS period
 - Payment Source: RPTTF

- 4) 2003 Tax Allocation Bond Debt Service (Housing Principal) – Housing portion of principal repayment; due on September 1 of each year.
 - Payments Due: None during this ROPS period
 - Payment Source: RPTTF

- 5) 2003 Tax Allocation Bond Debt Service (Housing Interest) – Housing portion of interest payment; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due: \$78,349
Payment Source: RPTTF

- 6) 2003 Tax Allocation Housing Bond Fees – Bond fee payment for housing portion; due on September 1 of each year.

Payments Due: None during this ROPS period
Payment Source: RPTTF

- 7) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Principal) – Principal repayment for non-housing bonds; due on September 1 of each year.

Payments Due: None during this ROPS period
Payment Source: RPTTF

- 8) 2011 Tax Allocation Non-Housing Bonds Series A Debt Service (Interest) – Interest payment for non-housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due: \$1,033,944
Payment Source: RPTTF

- 9) 2011 Tax Allocation Non-Housing Bonds Series A Bond Fees – Bond fee payment for non-housing bonds; due on March 1 of each year.

Payments Due: \$1,590
Payment Source: RPTTF

- 10) 2011 Tax Allocation Housing Bonds Series B Debt Service (Principal) – Principal repayment for housing bonds; due on September 1 of each year.

Payments Due: None during this ROPS period
Payment Source: RPTTF

- 11) 2011 Tax Allocation Housing Bonds Series B Debt Service (Interest) – Interest payment for housing bonds; one half of the interest payment is due on March 1 and September 1 of each year.

Payments Due: \$411,744
Payment Source: RPTTF

- 12) 2011 Tax Allocation Housing Bonds Series B Bond Fees – Bond fee payment for housing bonds; due on March 1 of each year.

Payments: \$1,590
Payment Source: RPTTF

- 13) City Advancement and Reimbursement Agreement - This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period.

Payments: None
Payment Source: n/a

- 14) ALA – Janet Witkin Center Project (Affordable Housing Loan) – This enforceable obligation was paid off during the period July 1, 2012 through December 31, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period.

Payments: None
Payment Source: n/a

- 15) ALA – Janet Witkin Center Project (Oversight [Employee] Costs) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 13-14B form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items. The Successor Agency would have entered a payment amount for this item, if it had the ability to do so.

Payments: None
Payment Source: 2011 Series B Housing Bond proceeds

- 16) La Brea Courtyard Project (Pre-Development Loan) – This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period.

Payments: None
Payment Source: n/a

- 17) La Brea Courtyard Project (Permanent Financing Loan) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 13-14B form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items.

The Successor Agency would have entered a payment amount for this item, if it had the ability to do so.

Payments: None

Payment Source: 2011 Series B Housing Bond proceeds

- 18) La Brea Courtyard Project (Oversight [Employee] Costs) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 13-14B form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items. The Successor Agency would have entered a payment amount for this item, if it had the ability to do so.

Payments: None

Payment Source: 2011 Series B Housing Bond proceeds

- 19) West Hollywood Community Housing Corporation – Disabled Access Improvements and Rehabilitation of Low and Moderate Income Affordable Housing Projects – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 13-14B form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items. The Successor Agency would have entered a payment amount for this item, if it had the ability to do so.

Payments: None

Payment Source: 2011 Series B Housing Bond proceeds

- 20) Phase 1 – Plummer Park Master Plan (Construction Costs – Hard and Soft) – This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation. The ROPS 13-14B form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items. The Successor Agency would have entered a payment amount for this item, if it had the ability to do so.

Payments: None

Payment Source: 2011 Series A Non-Housing Bond proceeds

- 21) Phase 1 – Plummer Park Master Plan (Oversight [Employee] Costs) – This obligation was denied by DOF on ROPS 3 (it was approved on ROPS 1 and 2). This obligation was approved by DOF on ROPS 1 and 2, but was denied by DOF on ROPS 3. The Successor Agency continues to disagree with DOF's determination regarding this obligation.

The ROPS 13-14B form required to be used by DOF includes denied items, but does not allow the Successor Agency the ability to enter payment amounts for the items. The Successor Agency would have entered a payment amount for this item, if it had the ability to do so.

Payments: None
 Payment Source: 2011 Series A Non-Housing Bond proceeds

- 22) FY11-12 (July 2011 – Jan 2012) Pass-Through Payments – This enforceable obligation was paid off during the period January 1, 2012 through June 30, 2012, pursuant to the Oversight Board and DOF approved ROPS for that period. All future pass-through payments will be made by the Auditor-Controller.

Payments: None
 Payment Source: n/a

- 23) Audit Services Required by AB x1 26, as Amended by AB 1484 – Auditing and accounting services to complete annual audit and due diligence reviews, as required by AB x1 26, as amended by AB 1484.

Payments: None during this ROPS period
 Payment Source: RPTTF

- 24) Writ of Mandate in Los Angeles Unified School District v. County of Los Angeles – On June 15, 2012, a writ of mandate was issued in Los Angeles Unified School District v. City of Los Angeles, which imposes additional obligations on Los Angeles County and successor agencies within the County regarding pass-through payment calculations. First, the County Auditor-Controller must recalculate pass-through payments for each fiscal year from 2003-04 through January 31, 2012, consistent with the Court's order, and notify each successor agency of the correct amount. Successor agencies must then calculate the amount of statutory pass-through payments due to LAUSD pursuant to the writ of mandate, including 7% interest on the amount due. In June 2013, the Court ruled on the second phase of the case, siding again with LAUSD. It is unclear if the County Auditor-Controller will appeal the decision. It is anticipated that a new Writ will be issued, incorporating the decision on the second phase of the case. The amount owed by the Successor Agency must be listed on subsequent ROPS and the full amount owed must be remitted to LAUSD. It is likely the County Auditor-Controller will be required to calculate the amount owed by the Successor Agency, once the recalculated pass-through payment amounts are received, Successor Agency staff will place that payment amount on a subsequent ROPS.

Payments: TBD
 Payment Source: RPTTF

- 25) Successor Agency Administrative Costs/Budget – Various administrative costs for continued operation of the Successor Agency, for the period January 1, 2014 through June 30, 2014. See Attachment 2.

Payments: \$125,000
Payment Source: Administrative Allowance

Administrative Budget No. 5 – (January 1, 2014 through June 30, 2014)

The Successor Agency has prepared a proposed Administrative Budget for the period from January 1, 2014 through June 30, 2014 (“Administrative Budget No. 5”), which is included as Attachment 2. Administrative Budget No. 5 includes estimates of administrative costs and sources of payment, as required by AB x1 26. Administrative Budget No. 5 is based on a \$250,000 cost allowance for the entire fiscal year (2013-14). Staff determined that the “3 percent” calculation, as detailed previously, would yield an administrative cost allowance of \$119,807 for the entire 2013-14 fiscal year, substantially less than the fixed amount of \$250,000.

For Administrative Budget No. 5, the Successor Agency estimates administrative costs in the amount of \$125,000. The budget includes Successor Agency staffing costs, overhead costs, as well as other contract and legal services. Administrative Budget No. 5 costs will be paid for with one-half of the Successor Agency \$250,000 administrative cost allowance for the fiscal year 2013-14. Upon Oversight Board approval of Administrative Budget No. 5 the Successor Agency will request \$125,000 in administrative cost allowance funds from the Auditor-Controller, one-half of the \$250,000 administrative cost allowance for fiscal year 2013-14. The requested amount of \$125,000 is also listed on ROPS 13-14 B.

At the Oversight Board meeting on July 11, 2013, the Oversight Board requested that staff provide additional detail for Administrative Budget No. 5. Additional detail is attached to Administrative Budget No. 5, including the employees and their salary percentages that are included in the Budget.

FISCAL IMPACT:

ROPS 13-14B identifies the need for \$1,831,341 in RPTTF monies (provided by the Auditor-Controller) to meet the obligations detailed on ROPS 13-14B and Administrative Budget No. 5. However, as part of the ROPS process, the Successor Agency is required to reconcile previous expenditures, to determine if any excess RPTTF monies remain from previous ROPS periods. For ROPS 13-14B the Successor Agency was required to reconcile amounts spent on enforceable obligations for the ROPS No. 3 period (January 1, 2013 through June 30, 2013) – see ROPS 13-14B, page 5 “Report of Prior Period Adjustments”. For the ROPS No. 3 period the Successor Agency had unspent RPTTF monies in the amount of \$19,634; largely due to reduced audit costs. For the current ROPS 13-14B period, the Successor Agency is required to reduce its requested RPTTF amount to account for the unspent residual from the ROPS No. 3 period. For this reason, the Successor’s Agency RPTTF request for the

ROPS 13-14B period of \$1,831,341 will be reduced by \$19,634, to an adjusted request of \$1,811,707 – see ROPS 13-14B, page 1 “Summary”.

ATTACHMENTS:

Attachment 1: Recognized Obligation Payment Schedule for the period from January 1, 2014 through June 30, 2014.

Attachment 2: Successor Agency Administrative Budget for the period from January 1, 2014 through June 30, 2014.

Attachment 3: Resolution